

DURBAN AEROTROPOLIS

Marketing Strategy

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**The KwaZulu-Natal
Department of Economic Development
Tourism and Environmental Affairs**

Table of Contents

| | |
|---|----|
| ACRONYMS..... | 4 |
| 1. BACKGROUND | 5 |
| 2. INTRODUCTION..... | 8 |
| 3. LITERATURE REVIEW..... | 9 |
| 3.1 Destination Marketing..... | 9 |
| 3.2 Investment Promotion..... | 11 |
| 3.3 Air Services Development | 15 |
| 4. MARKET ANALYSIS AND THE MACRO ENVIRONMENT | 21 |
| 4.1 International Benchmarking..... | 22 |
| 4.2 Competitor Analysis | 25 |
| 4.3 SWOT Analysis..... | 26 |
| 5. STRATEGIC VISION..... | 28 |
| 6. STRATEGIC ROADMAP FOR DURBAN AEROTROPOLIS | 30 |
| 6.1 Destination Marketing..... | 31 |
| 6.1.1 Pillar 1 - Culture and Heritage..... | 31 |
| 6.1.2 Pillar 2 - Special Interest Tourism..... | 32 |
| 6.1.3 Pillar 3 - Adventure and Unique Experiences..... | 33 |
| 6.1.4 Pillar 4 - Hospitality Industry | 34 |
| 6.1.5 Pillar 5 - Social Media | 34 |
| 6.1.6 Pillar 6 - Major Events..... | 35 |
| 6.1.7 Pillar 7 - Place Marketing | 36 |
| 6.2 Investment Promotion..... | 38 |
| 6.2.1 Pillar 1 – Investment Policy and Leadership..... | 39 |
| 6.2.2 Pillar 2 – Develop the Right Talent..... | 40 |
| 6.2.3 Pillar 3 – Global Connectivity | 40 |
| 6.2.4 Pillar 4 – Support Measures..... | 41 |
| 6.2.5 Pillar 5 – Smart City | 41 |
| 6.2.6 Pillar 6 – MICE Events..... | 42 |
| 6.2.7 Pillar 7 - Investment Missions..... | 43 |
| 6.3 Air Services Development | 44 |
| 6.3.1 Pillar 1 – Bilateral Air Services Negotiations | 44 |
| 6.3.2 Pillar 2 – Low Cost Carriers | 45 |
| 6.3.3 Pillar 3 – Air Cargo | 45 |
| 6.3.4 Pillar 4 – Air Services Incentive Program (ASIP)..... | 46 |
| 7. IMPLEMENTATION..... | 47 |



| | |
|-------------------------------------|----|
| 7.1 Institutional Arrangement | 49 |
| 7.2 Corporate Identity..... | 50 |
| 8. CONCLUSION..... | 51 |
| 9. REFERENCES..... | 52 |



ACRONYMS

| | |
|--------|--|
| AMU: | Aerotropolis Management Unit |
| ASIP: | Air Services Incentive Program |
| CTIA: | Cape Town International Airport |
| DMO: | Destination Marketing Organisation |
| DT: | Durban Tourism |
| DTI: | Department of Trade and Industries |
| DTPC: | Dube Trade Port Corporation |
| EDTEA: | KwaZulu-Natal Department of Economic Development Tourism and Environmental Affairs |
| EI: | Enterprise Ilembe |
| ICAO: | International Civil Aviation Organisation |
| IPA: | Investment Promotion Agency |
| KSIA: | King Shaka International Airport |
| LCC: | Low Cost Carriers |
| NDoT: | National Department of Transport |
| ORTIA: | OR Tambo International Airport |
| RDC: | Route Development Committee |
| SAA: | South African Airways |
| SADC: | Southern African Development Community |
| TIKZN: | Trade and Investments KwaZulu-Natal |
| TKZN: | Tourism KwaZulu-Natal |

1. BACKGROUND

The aerotropolis concept was brought into focus in South Africa when the City of Ekurhuleni first adopted it 2009, which was at the time when the KZN Government was well ahead of its plans to relocate the Durban Airport to the current site in La Mercy. Both these initiatives were inspired by Prof John Kasarda, who had pioneered the aerotropolis concept in North America and had started advising various global airport cities on their airport city master planning processes.

At this stage it might be prudent to revisit the definition of an aerotropolis, which Prof Kasarda defined as follows: ***“An aerotropolis is a city built around an airport offering its businesses speedy connectivity to their suppliers, customers and enterprise partners nationally, regionally and worldwide”***. In 2011 the United States Federal Aviation Administration (FAA) adopted the aerotropolis concept and defined it as a ***“planned and coordinated multimodal freight and passenger transportation complex, which provides efficient, cost-effective, sustainable and intermodal connectivity to a defined region of economic significance centred around a major airport”***. The aerotropolis is anchored by a thriving and growing aviation business in an international airport that is connected to other global aviation hub airports in growing regions like Asia, Middle East and Sub-Saharan Africa.

An aerotropolis is also characterised by a set of logistics and commercial facilities that support aviation-linked businesses and air passengers who pass through the airport annually. Some of these facilities include, forwarding, warehouse and distribution facilities, hotels, recreation, medical, convention, and exhibition complexes, and office buildings along with shopping, dining, and entertainment venues.

Aerotropolis planning encompasses both land use and transportation planning. More specifically, with respect to aerotropolis planning, land use planning includes reconciling firstly, the business site and profitability objectives of individual firms making capital investments, secondly, airport and surface transportation planning objectives of ensuring maximum access to the airport and business sites at the lowest possible cost, and thirdly, the urban planning objectives of overall economic efficiency, aesthetic appeal, and social and environmental sustainability. With respect to transportation planning, aerotropolis planning also includes designing systems for efficient, secure cargo logistics and for safe personal mobility.

Integrated surface transportation planning around the airport is particularly important because people and product air journeys neither begin nor end at the passenger and cargo terminals. Passengers and cargo often spend considerable time, and expense, in getting to

and from airports and in negotiating airport obstacles, creating last mile and terminal costs. Given that terminal and last mile costs can be substantial whereas the marginal costs of flying an extra mile are often insignificant, those airports and surrounding areas, which successfully minimise those costs, are often able to enhance their economic competitiveness, and therefore their attraction, as a location for business investment.

Aerotropolis planning, therefore, differs from conventional airport planning by considering inside the fence terminal, mutually beneficial outside-the-fence development, and last mile costs holistically. The battle for airfreight and thus the industries using airfreight is increasingly won on the ground through good surface accessibility. The same is true with passenger travel. For example, in the South Africa, more than half the time spent on air journeys between Cape Town CBD and Johannesburg CBD is largely spent on the ground, locked in freeway traffic, terminal congestion, or backed up on airport taxiways.

The formal adoption of the aerotropolis concept started in 2012 when the KZN Government issued a Request for Proposal (RFP) for the development of the Integrated Aerotropolis Strategy (KZN IAS). This strategy was developed collaboratively with input from various stakeholders that included PRASA, eThekweni, Ilembe DM, other Provincial Government Departments, KSIA, DTPC, etc. The KZN IAS paved the way for the formulation of the Durban Aerotropolis Master Plan, which was completed in 2018. In 2016 EDTEA had appointed a team of consultants to establish the Aerotropolis Management Unit (AMU) as project management unit to manage the implementation of the KZN IAS.

With a view to boosting air services out of KSIA, EDTEA hosted in 2015 the World Routes conference and exhibition, one of the world's biggest networking event for airports and airlines. One of the legacies of this event was the establishment of the Route Development Committee, a multi-stakeholder team that was tasked by EDTEA to lead the air services development for KSIA. The hard work of this committee led the establishment of direct air services linking global hubs of Doha (Qatar Airways), Istanbul (Turkish Airlines) and recently London (British Airways).

The conclusion of the master planning process by the end of 2018 created a need for a strategy to market Durban Aerotropolis as an investment and tourism destination with an airport with growing air services. The implementation of this strategy is the responsibility of the Route Development Committee through its marketing sub-committee. The primary strategic documents that are guiding the development of Durban Aerotropolis are the following:

⇒ KZN Integrated Aerotropolis Strategy – 2014;



- ⇒ Route Development Strategy 2014; and
- ⇒ Durban Aerotropolis Master Plan 2018.

The KZN IAS and its implementation blueprint, the DURAMP have given rise to the need to promote Durban Aerotropolis to local and global tourists, airlines and investors. Whilst both the IAS and the DURAMP highlighted marketing as necessary but not sufficient condition for the success of the Aerotropolis initiative, the subject has not been adequately addressed to guide implementation in the short-to-medium term. It is common knowledge that the success of the Durban Aerotropolis hinges primarily on the investor appetite for the projects identified in the two planning documents highlighted above.



2. INTRODUCTION

The objectives of this Marketing Strategy are to provide guidance to the Durban Aerotropolis stakeholders towards implementing a marketing programme that is targeted at local and international tourists, investors and international airlines. The Strategy also aims to provide a consistent and a coordinated marketing platform through which the Durban Aerotropolis stakeholders will collaborate and pool their resources. Furthermore, the Marketing Strategy will seek to clarify the individual roles of Durban Aerotropolis stakeholders to optimise their resource deployment and avoid duplication.

The methodology that was used to develop the Durban Aerotropolis Marketing strategy followed this process:

- ⇒ Literature Review of local and international research papers, local strategies, master plans and various reports of stakeholder entities.
- ⇒ Market Analysis
 - Benchmarking for Best Practice using data from some of the well-established global aerotropoli;
 - Competitor Analysis; and
 - SWOT Analysis

The outcomes of this literature review and market analysis formed the basis for strategic visioning and the development of a strategic roadmap for Durban Aerotropolis. The remainder of the report covers the following areas

- ⇒ Strategic Vision;
- ⇒ Durban Aerotropolis Strategic Roadmap;
- ⇒ Implementation, which includes the proposed structure; and
- ⇒ Conclusion.

3. LITERATURE REVIEW

3.1 Destination Marketing

In a study by Wang & Xiang (2007), they proposed a theoretical framework of collaborative destination marketing like the one envisaged for Durban Aerotropolis. They argued that collaborative destination marketing is a product of external forces presented to organisations for a particular destination and they necessitate the development of marketing alliances. The motivations for destination marketing entities to join alliances are based on three broad perspectives: strategic, transactional and learning oriented. The final recommendations of this study are that all stakeholders entering a marketing alliance become aware of the objectives upfront and that roles of stakeholder be clearly defined.

In the case of Durban Aerotropolis, destination marketing can never be the responsibility of a single entity. This has made it necessary for collaboration of all provincial stakeholders like Durban Tourism, TKZN, DTPC and Enterprise Ilembe. However, for this collaboration to be effective, it is necessary to have all strategic objectives clarified upfront, with each stakeholder being able to contribute meaningfully thereof. It is also imperative that the KZN stakeholders strive to harmonise their objectives and programmes with those of national entities like SA Tourism and Brand SA.

The city state of Singapore and Dubai have over the years implemented very strong aviation-based tourism strategies that seem to have had huge returns judging by the successes they have had in growing air services in their hub airports. In a study by Lohmann, et al; (2009) they examined how these city states succeeded in building strong destinations. The findings of this study pointed to a strong link and integration of destination marketing strategies and those of air services development. Tourism authorities work very closely with the national carriers Emirates Airlines and Singapore Airlines that have established fortress hubs in Dubai and Changi Airports respectively.

In both Singapore and Dubai, the respective governments have controlling interests in both airports and airlines. Very strong government leadership of these city states ensures alignment of tourism and air services strategies that leaves very little room for competing interests. In contrast, the South African environment is very fragmented. National tourism strategy is driven and overseen by the National Department of Tourism and is implemented by its agency, the SA Tourism. The national carriers are under the control of the Department of Public Enterprises and the airports fall under the National Department of Transport. Lack of strategic direction

that integrates destination marketing and air services has left the provinces of KZN and Western Cape to develop their own air services strategies, which they have implemented with great success.

Destination marketing is also addressed extensively in the National Tourism Sector Strategy of 2017 that was developed by the National Department of Tourism. The Strategy is anchored on the following five pillars:

- **Facilitating Ease of Access:** This pillar includes issues like visa, legislative, policy and ease of doing business. The main intervention that is relevant to Durban Aerotropolis Marketing Strategy is the promotion of air services to priority tourism markets which have been listed as follows:
 - Africa: Angola, Kenya, Nigeria, Mozambique and Tanzania;
 - Americas: USA and Brazil;
 - Europe: France, Germany, UK and Netherlands; and
 - Asia and Australasia: China, India and Australia.
- **Effective Marketing:** This pillar focuses on coordinated market through SA Tourism and all its provincial and city entities, ensure consistency of messages particular to the international markets.
- **Visitor Experience:** This focuses on improvement of tourist sites whilst ensuring safety and security of tourists.
- **Destination Management:** This pillar ensures cooperation between inter-governmental stakeholders to harmonise and align national programmes with those of various provincial and municipal governments.
- **Broad-Based Empowerment:** This pillar deals with matters of transformation in the tourism industry and to broaden participation.

Destination marketing is also addressed in the Brand South Africa's 2018/19 Business Plan (Brand SA, 2018). In this document, Brand SA plans to manage the National Brand reputation and position South Africa for global competitiveness and attractiveness. In this Business Plan the following focus areas have been highlighted: Tourism, Exports, People, Culture, Heritage, Governance and Investments.

At KZN provincial level, the TKZN produced the KZN Tourism Strategy in 2014 as its 2030 Vision, which sought to position KZN as **“Africa’s top beach destination, wildlife, scenic and heritage”** (KZN, 2014). This strategy was anchored in the following areas:

- **Warmth:** Favourable climatic conditions as compared to other destinations.



- **Heritage:** World-renown heritage sites.
- **Adventure:** Focus on the scenic Drakensberg sites and the activities in that region.
- **Trade Gateway:** Multimodal transport links to other parts of the country and in Southern Africa.
- **Zulu:** Legacy of Kings Shaka Zulu.
- **Fun:** Emphasises the leisure experiences of KZN.
- **Family-oriented:** Water-based activities that are targeted at families.
- **Beaches:** Warm beaches with water sports and adventures.

Tourism KZN is in the process of reviewing this strategy.

3.2 Investment Promotion

The G20 member states developed a set of non-binding guiding principles for its member countries on how to deal with investment promotions (Zhan, 2016). The objectives of these principles were to: “*fostering an open, transparent and conducive global policy environment for investment; promoting coherence in national and international investment policymaking promoting inclusive economic growth and sustainable development*”. These principles focussed on the following areas:

- a) *Governments should avoid protectionism in relation to cross-border investment.*
- b) *Investment policies should establish open, non-discriminatory, transparent and predictable conditions for investment.*
- c) *Investment policies should provide legal certainty and strong protection to investors and investments, tangible and intangible, including access to effective mechanisms for the prevention and settlement of disputes, as well as to enforcement procedures. Dispute settlement procedures should be fair, open and transparent, with appropriate safeguards to prevent abuse.*
- d) *Regulation relating to investment should be developed in a transparent manner with the opportunity for all stakeholders to participate and embedded in an institutional framework based on the rule of law.*
- e) *Investment policies and other policies that impact on investment should be coherent at both the national and international levels and aimed at fostering investment, consistent with the objectives of sustainable development and inclusive growth.*
- f) *Governments reaffirm the right to regulate investment for legitimate public policy purposes.*

- g) *Policies for investment promotion should, to maximise economic benefit, be effective and efficient, aimed at attracting and retaining investment, and matched by facilitation efforts that promote transparency and are conducive for investors to establish, conduct and expand their businesses.*
- h) *Investment policies should promote and facilitate the observance by investors of international best practice and applicable instruments of responsible business conduct and corporate governance.*
- i) *The international community should continue to cooperate and engage in dialogue with a view to maintaining an open and conducive policy environment for investment, and to address shared investment policy challenges.”*

These guiding principles are mere “gentlemen’s agreement” and have no binding effect but have persuasive authority that would seek to protect smaller countries like South Africa. These policies are helpful as a point of reference in developing investment policies for the country. Notwithstanding the fact that policy formulation is a national competency, KZN has an opportunity to influence this policy particularly as it relates to aerotropolis-focussed investments. Furthermore, the Durban Aerotropolis has an opportunity to test the investment policy effectiveness of a Special Economic Zone (SEZ) that is based in the airport city (DTP). The other SEZ that is linked to an airport is the one operated by the Gauteng Growth and Development Agency (GGDA), which is only focussed on jewellery manufacturing.

Investments

According to the 2019 UN Conference on Trade and Development (UNCTAD) global FDI flows fell by 19% in 2018, which was largely caused by an equal drop in cross border mergers and acquisition (UNCTAD, 2019). However Global FDI flows to Africa grew by 6% in 2018 reversing the 2017 drop of 21%. South Africa registered a strong recovery in 2018 with inflows of US\$7,1 billion compared to only US\$1,3 billion in 2017. The major recipients of this 2018 inflows were mining, petroleum, food processing, ICT and renewable energy sectors.

Invest South Africa is the country’s investment promotion agency (IPA) that is tasked with promoting the country for foreign direct investments ((Invest SA, 2018). Invest SA has segmented the country by provinces and have positioned key sectors in each province for investment attraction. The Province of KwaZulu-Natal has been positioned as an investment destination for automotive, transport and logistics sectors. Other sectors of focus for KZN include tourism, petrochemicals, aluminium, clothing, textile, machinery, equipment, agriculture, agro-processing, forestry, pulp, paper and wood.

In line with the drive to industrialise the economy, Invest SA has prioritised not only the primary sectors like extraction of minerals and exporting them as they are, but is focussing heavily on beneficiation of the country's main primary sectors, mining and agriculture.

Sources of investments are still largely from the United Kingdom, but investments from the Netherlands grew very rapidly from the 2010 to 2016. Growth in investments have also come from countries like China, Germany, Japan and Australia. According to the South African Reserve Bank's Quarterly Bulletin for June 2018 major FDI inflows came from these countries:

Table 1: Sources of Foreign Direct Investments for South Africa

| Country | %-age in 2016 |
|----------------|---------------|
| United Kingdom | 38.4% |
| Netherlands | 21.4% |
| United States | 6.8% |
| Germany | 5.0% |
| China | 4.2% |
| Japan | 3.8% |
| Australia | 3.1% |
| Luxembourg | 2.9% |
| Switzerland | 1.1% |

Source: SARB Quarterly Bulletin, June 2018

The sectors that attracted the most investments for the same period were as follows:

Table 2: Foreign Direct Investments into South Africa, by Sector

| Sector | 2016 Share |
|---|------------|
| Financial and insurance services, real estate and business services | 42.1% |
| Manufacturing | 20.8% |

| | |
|--|-------|
| Mining | 20.5% |
| Transport, storage and communication | 10.4% |
| Trade, catering and accommodation | 4.5% |
| Community, social and personal services | 1.5% |

Source: SARB Quarterly Bulletin, June 2018

Effective investment promotional campaign has yet to start in earnest and has been hampered by the lack of clearly branded promotional material to market Durban Aerotropolis investment opportunities to local and international investors.

In identifying investment opportunities for KZN, Trade and Investment developed in 2018 a set of investment opportunities throughout the province (TIKZN, 2018). These opportunities are in line with the provinces positioning for investments in the key sectors like manufacturing, transport, logistics and agriculture. In this document TIKZN highlight key investment assets that include the Dube Trade Port, Ports of Durban and Richards Bay, King Shaka International Airport, Durban ICC, etc. Of the 26 investment opportunities identified by TIKZN, the following ones have huge implications for Durban Aerotropolis:

- a) Blythedale Coastal Estate (R15 billion);
- b) Cato Ridge Logistics Hub (R17 billion);
- c) Dube Trade Port Special Economic Zone (R18 billion);
- d) Durban Eye/Wheel (R375 million);
- e) Durban Film City (R7.5 billion);
- f) Durban Point Waterfront (R35 billion);
- g) Nonoti Beach Resort Development (R2.5 billion);
- h) Sibaya Coastal Precinct (R50 billion);
- i) Tinley Town Integrated Development (R20 billion);
- j) Umhlanga Ridge Town Centre (R900 million);
- k) Virocare (R200 million);
- l) Wewe Driefontein (R3 billion); and
- m) Zululami Coastal Estate (R25 billion).

3.3 Air Services Development

International airports are continually engaging global airlines in negotiating new routes and and/or to increase frequencies of existing ones. Airports are finding themselves having to accede to certain demands of airlines; particularly those that are bringing large numbers of passengers from long haul destinations. International airports are proactively developing incentives that include lowering of charges for certain airlines or categories of airlines.

IATA is calling for governments, safety regulators and industry to take action to drive aviation connectivity and infrastructure development in Africa. It claims more routes will boost the economic and social development of the continent. Africa is set to be one of the fastest-growing aviation regions over the next 20 years, with annual expansion averaging nearly 5%. This opens up incredible economic opportunities for Africa.

The rapid expansion in Africa's aviation industry is hampered by a number of factors. African airlines are struggling to work together. The skies are not open. There is capacity but airlines can't access the market. The traffic rights end up being given away to non-African airlines. Other challenges facing the African aviation industry include the following:

- Poor record of safety and security;
- Lack of adequate resources and infrastructure;
- Distance and limited connectivity; and
- Lack of regulation and government actions.

Connectivity in Africa remains a major obstacle to the continent's aviation industry. Getting around the continent is not easy. Aviation connectivity is a catalyst for economic growth. But those ties must be enabled by agreements among governments. There is outstanding potential for greater aviation connectivity among African states to drive development. The African Union's objectives centre on unity, and development—both economic and social. These constraints add to competition and high operating costs resulting from surging oil prices. Addressing these challenges could significantly unlock the industry's potential for future growth.

International airports have come to realise the need to engage their airline customers on matters that are beyond operational. The balance of power has been shifting from airports to airlines, which have now become more aggressive in their negotiations for lower charges and other concessions. Airlines claim that airports are benefiting from retail trade from their customers but the airports do not share these benefits with them. Airports are now finding

themselves having to lower charges for certain airlines or categories of airlines in order to retain some of the stronger hub airlines.

International airports now offer a wide range of monetary or non-monetary incentives to keep some of their key airlines (Salomone, 2018). Some of the incentives offered include the following:

- Airport fee concessions;
- Start-up cost reimbursement;
- Operating cost reimbursement;
- Direct subsidy;
- Revenue guarantees;
- Marketing support; and
- Ticket trusts/travel banks.

All of these incentives have a direct impact on aeronautical revenue and profitability of airports. In negotiating new routes or increasing frequencies on existing ones, airlines have to consider some of the following issues:

- What is the current, actual market size for a potential route?
- How much can the airline stimulate the market?
- How will the competition react?
- How much market share will the airline achieve and over what period?
- What will be the connectivity contribution by the airport?
- Will the new route be profitable?

Some of the useful information that airports must provide for airline network planners include catchment area profile, i.e., demographics, economy, tourism, market sizes, top city pairs, traffic leakage, frequency, schedule, aircraft, routing, etc. Route analysis issues will include market share, load factor, competition, stimulation potential, self-diversion, etc. Owing to the fact that airlines serve the wider market in the region in which the airport is located, it is not uncommon to see regional or city tourism and investment promotion agencies being part of the route negotiations along with their airports.

A bilateral air services agreement (BASA) is agreement between two nations signed to allow international commercial air transport services between their territories. This bilateral system originated from the Chicago Convention signed in 1944 by the International Civil Aviation Organisation (ICAO) member countries. BASAs cover the basic framework under which airlines

are granted economic bilateral rights to fly two countries. The frequency, the designated airlines of the two signing countries, origin and intermediate points, traffic rights, type of aircraft and tax issues are normally covered in the BASAs. ICAO organises an annual event, the International Conference of Air Services Negotiations (ICAN), wherein representatives of various states converge to negotiate bilateral air services.

The negotiation and conclusion of air services bilateral agreements is the competency of the National Department of Transport. The Aviation Division of the Department carries out these negotiations and there are currently 124 agreements in place. Of these agreements, half of them (62) and this figure is further broken down into 37 operated by South African carriers and the remaining 25 under code-sharing arrangements. These agreements are ordinarily up to 4th Freedoms of the Air and rights beyond these normally within the African continent as part of the Yamoussoukro Declaration.

The BASAs create a framework and the basis for air services negotiations between airports and airlines. It is for this reason that NDoT has established a Bilateral Air Services Committee, which serves as a consultative forum and is aimed at giving stakeholders like the DTI, SA Tourism, ACSA and other interested parties an opportunity to add their input.

In 2014 Dube Trade Port Corporation commissioned a route development strategy, which it developed with the assistance of the UK-based air services strategy company; Airport Strategy and Marketing Ltd (ASM, 2014). This strategy proposed seven market segments that KZN should focus on, and they included the following (in order of priority):

- London
- The Gulf Region
- International Hub Access
- Regional Africa
- Domestic
- Cargo
- Charter Flights

These target markets were segmented in accordance with strategic priorities of DTPC and existing demand and travel patterns of the time. Other considerations that were taken in developing this strategy include the national and provincial tourism strategies. In the implementation strategy for this strategy it was recommended that DTPC establishes a fund for incentive programme for airlines.



A study by Hvass (2014) reviewed the effectiveness of funding an incentive programme that is targeted at airlines. The researcher reviewed the work of an air services programme of Wonderful Copenhagen (a destination management entity for the City of Copenhagen), which was launched under the banner: Global Connected. This study investigated the effectiveness of funding these air services incentives to attract airlines. The findings pointed to a mixture of outcomes some of which had negative consequences. Some of the findings were that the incentives are seldom influential and there are threats of uni-directional traffic, cannibalisation and inappropriate metrics in such programmes. The researcher recommends that destination stakeholders cooperate to develop inbound tourism products to match the needs of airline customer groups.

In the case of South Africa, there is evidence of competing objectives that could cannibalise marketing programmes of various entities. For instance, the main South African long-haul national carrier (South African Airways) have adopted a hub-and-spoke strategy around OR Tambo International Airport. The airline views other international airports like Cape Town and KSIA as feeder airports and not alternative hubs. SAA also relies on its two subsidiaries SA Express and Mango Airlines for feeder traffic into its main hub airport. This strategy is justified on the basis that these two airports are not big enough to warrant establishing secondary hubs by the national carrier. It is for this reason that the air services committees in these airports have sought to rather attract other international airlines like Emirates, Qatar, Turkish, BA, etc.

The strategies of the national tourism marketing agency, SA Tourism may be at odds with the air services development plans of KSIA and the other two international airports. For instance, SA Tourism may be targeting certain markets like France and the Netherlands; but these source markets may not be served by growing airlines and the national carrier may not be prioritising these markets. It is therefore imperative that there be an alignment of strategies and goals between the air services development committees and other stakeholders involved in destination and investment promotion.

A study of 194 European airports conducted by Allroggen, et al (2013) had some interesting findings about the impact of airport ownership and regulations on air services development strategy. In this study they found that the types air services strategies and incentives hinge on ownership of the airport and each country's aviation regulatory framework. For cities that own or have controlling interest on their airports the air services strategies become an integral part of destination marketing strategies. In the case of airports that are owned by different entities like provinces, national governments or private entities; there is always the challenge of trying to align city strategies with those of airports. This scenario is prevalent in South Africa, wherein

the international airports fall under the control of the ACSA a state operated entity of the Department of Transport. For ACSA, the air services development strategy and its implementation are driven from its headquarters with delegated roles at local levels.

The air services regulations are the competency of the National Department of Transport, which governs and is custodian of all bilateral air services agreements with various countries. All air services negotiations between international airlines and South African airports or local bodies like Wesgro and Dube Trade Port Corporation take place under the confines of landing rights and frequencies granted by NDoT to those respective airlines.

In addition to these regulations, all ACSA airports are governed by the ACSA Act of 1993. In terms of this Act, ACSA is prohibited from offering incentives on a selective basis to some airlines or categories of airlines to the exclusion of others. Section 5 of this Act reads thus:

(b) not unduly discriminate against or among various users or categories of users of any company airport;

(d) conduct its business in such a manner as to ensure that the company does not engage in any restrictive practice as defined in section 1 of the Maintenance and Promotion of Competition Act, 1979 (Act No. 96 of 1979);

If ACSA were to offer incentives (other than the lowering of airport charges) for a route that is not currently being served by any airline and offers that incentive to airlines that have the traffic rights to fly those routes, this may not be viewed as discriminatory. However, ACSA will have to offer those incentives to all the airlines that have the traffic rights for those routes.

For existing and under-serviced routes, ACSA would not be able to justify offering incentives to new entrants unless these incentives are made available to all existing airlines. The ACSA Act covers any form of discrimination that can be deemed excessive, unfair and goes against the spirit of the Act. "Restrictive Practices" are defined in Section 5 of the Competition Act and in the context of ACSA these could be practices that would have an effect of lessening competition in the aviation market unless ACSA could prove that such practices are pro-competitive.

Following the establishment of the KZN Route Development Committee to market Durban Aerotropolis, there has been a number of successes to establish air services at KSIA. These include the conclusion of air services agreements with Qatar Airways, Turkish Airlines and other regional airlines. The latest accomplishment was the agreement concluded with British Airways for direct services connecting Heathrow Airport, which commenced in October 2018.



4. MARKET ANALYSIS AND THE MACRO ENVIRONMENT

The emergence and global acceptance of the aerotropolis concept has raised the need for developing global competitiveness strategy for cities and city regions that host international airports. With shrinking aeronautical revenues caused by the constrained airline industry, airport operators have had to look to non-aeronautical revenues to stay in the black. In a study by Peneda, Reis, & Macario (2011), some critical success factors were identified that contribute to an airport city's competitive strategy and these include the following:

- a. "The connectivity of the airport and its surroundings;
- b. the economic potential of the surrounding area;
- c. a sustainable development context; and
- d. a commercial attitude by the airport operator."

The connectivity of the airport to its surroundings speaks to the efficiencies in the first and last mile of air travel. Some city airports tend to be in confined locations that make ground connectivity difficult. For Durban Aerotropolis, this factor was addressed when the Durban airport was relocated to its current in La Mercy. Given the fact that KSIA was relocated to a greenfield environment, made it easier for commercial development to be planned from bottom and to meet the needs of an airport city.

Given the need to position Durban Aerotropolis in the global market, it became necessary that market analysis be done in the form of an international benchmarking for best practice. This is as per the table below.

4.1 International Benchmarking

In developing the marketing strategy, the following international Aerotropoli were used to benchmark marketing programmes of the Durban Aerotropolis initiative. Some of the global aerotropoli have achieved marketing successes in the four areas of Destination Marketing, Investment Promotion, Tourism Marketing and Air Services Development. These will now be analysed in some of the leading global aerotropoli as follows:

Table 3: International Benchmarking

| Aerotropolis | Destination Marketing | Investments Promotion | Tourism Marketing | Air Services Development |
|--|---|--|--|---|
| Detroit Region Aerotropolis (DRA) | <ul style="list-style-type: none"> - Not much destination marketing is done by DRA. | <ul style="list-style-type: none"> - Investment promotion program includes tax incentive schemes include like partial waivers of property tax, personal tax, etc. - Focus sectors: Transport, Logistics, Next Generation Mobility and Advance Manufacturing. | <ul style="list-style-type: none"> - Tourism marketing is driven by the Michigan Department of State. | <ul style="list-style-type: none"> - The Air Services Development function is carried out by the Wayne County Airport Authority. - An incentive program has been devised and targets direct long-haul air services from outside of USA. |
| Dallas-Fort Worth International Airport (DFW) | <ul style="list-style-type: none"> - The 18km² site on which DFW airport is located is four host cities that include Dallas and Fort Worth. - The airport city was recently rebranded to give travellers | <ul style="list-style-type: none"> - Investment promotion for DFW is focussed on attracting businesses to locate in the airport city's 6,000-acre International Commerce Park. This Park has commercial, industrial | <ul style="list-style-type: none"> - Tourism focus is on the hospitality industry that includes some of the top international hotels and restaurants. | <ul style="list-style-type: none"> - DWF's air services program is dedicated to promoting growth in passenger and cargo connectivity to Latin America and Asia. In competition with LA and Miami airports. |

| | | | | |
|---|---|---|---|--|
| | <p>and tenants a new experience.</p> <ul style="list-style-type: none"> - Destination marketing for DFW is focussed on marketing opportunities for business locations in various commercial and industrial districts. | <p>and logistics business clusters.</p> <ul style="list-style-type: none"> - DFW has succeeded over the years to attract some of the Fortune 500 companies to locate there. | | <ul style="list-style-type: none"> - DFW is developing freighter services to grow perishables businesses through its newly revamped cold chain handling facility. - DFW houses some of the 20 freight forwarders that operate from airport city. |
| <p>Aerotropolis Atlanta Alliance (AAA)</p> | <ul style="list-style-type: none"> - Strategic brand management that seeks to encompass all stakeholders in the Community Improvement District (CID), which is the AAA study area. <p>Brand ambassadors have been appointed to promote the AAA CID.</p> | <ul style="list-style-type: none"> - Investment promotion is driven through three action committees called “collectives” that focus on: <ul style="list-style-type: none"> o Economic Development; o Workforce Development; and o Education. | <ul style="list-style-type: none"> - The AAA does not get involved in tourism promotion, choosing to only concentrate on air services development. | <ul style="list-style-type: none"> - ATL maintains a 24/7 operation with no curfew and remains the world’s busiest airport. - An Air Services Development Strategy was developed to grow cargo and passenger air lift. - The ATL Air Services Incentive Program aims to stimulate international cargo and passenger movements. |
| <p>Dubai South (DWC)</p> | <ul style="list-style-type: none"> - Dubai was rebranded from Dubai World Central to Dubai South. - Dubai South is a 145km² and is positioned as a purpose-built airport city that seeks to attract businesses that seek location between a major airport hub and a world-class sea port | <ul style="list-style-type: none"> - For ease of marketing DS has been delineated into 4 key business clusters, i.e., Logistics District, Business District, Aviation District, Exhibition District and Commerce District. | <ul style="list-style-type: none"> - Business tourism is the main focus at Dubai South, especially through the Exhibition District, which will host the Expo 2020 and other major international events. - Other events that are being targeted are golf events. | <ul style="list-style-type: none"> - Air services development for DWC is handled by the airport holding company, Dubai Airports. - Dubai Airports has a liberal approach to air services. - Their incentive program has been aimed at boosting relocation of air services following a decision that was made to migrate air services from Dubai Airport to DWC over a |



| | | | | |
|--|--------------|--|--|----------------|
| | (Jebel Ali). | | | 7-year period. |
|--|--------------|--|--|----------------|

Durban Aerotropolis is still in its very early stages of development and it will take a very long time for it to get to the levels of some of global airport cities, which have been developed over long periods of time. Furthermore, some of these airport cities are anchored by very strong international airports, which are in the top 10 global list of busiest airports in the world. Airport cities surrounding these airports tended to grow organically with most of them not being supported by strong policy interventions from the city and state governments wherein they are located. However, these airport cities provide a very strong benchmark for Durban Aerotropolis to emulate or learn from.



4.2 Competitor Analysis

The most defining feature and strategic of any aerotropolis is the growing aviation business not only in terms of passenger and cargo movements but also in the number of routes to other global hubs. It is for this reason that this competitor analysis was done in relation to growing air services at KSIA in relation some of its competitors with in South Africa and in the rest of Africa. Based on the preliminary figures sourced from Wikipedia the top 10 major airports in Africa performed as follows in the past 2 years:

Table 4: Top 10 Busiest Airports in Africa

| Airport | 2018 Million Annual Passengers | Increase/ (Decrease) | Change in Ranking |
|------------------------------|--|----------------------|-------------------|
| 1. OR Tambo | 21.2 | 0.0% | - |
| 2. Cairo | 17.5 | 9.4% | - |
| 3. Bole (Addis Ababa) | 12.1 | 21.0% | +1 |
| 4. Cape Town | 10.7 | 0.0% | - |
| 5. Mohammed V (Morocco) | 9.7 | 4.3% | - |
| 6. Hurghada (Egypt) | 6.6 | 40.4% | +5 |
| 7. Tunis-Carthage | 6.2 | 8.8% | +2 |
| 8. KSIA | 5.8 | 5.4% | +2 |
| 9. Marrakech (Morocco) | 5.2 | 18.1% | +3 |
| 10. Sharm El Sheik (Egypt) | 4.7 | 56.7% | +5 |
| 11. Jomo Kenyatta | No figures but 7 th in 2017 with 7.0 MAPs | | |
| 12. Murtala Muhammed (Lagos) | No figures but 8 th in 2017 with 6.4 MAPs | | |

Source: Wikipedia

It should be stressed that these numbers are still preliminary and that this list could change once figures for Lagos and Nairobi have been verified. Nonetheless, according to these figures KSIA was the only South Africa international airport that posted growth in 2018 with CTIA and ORTIA movements remaining stagnant. The best performing airports are still by far

the ones in East and North Africa. These airports enjoy close proximity to European and Asian markets that are still the growth regions for aviation. On the local front, the biggest competitor of KSIA is CTIA. Both these airports are not hubs for the national carrier (SAA) but the air services development teams promoting them have had some successes in attracting other international airlines to establish direct services. However, CTIA still owes its success to being at the end of the busiest air routes in Africa (JNB-CTN) and is the 18th busiest in the world ranking.

If KSIA maintains this 2018 growth of 5.4%, it should reach 11 MAPs by 2030. If this growth will be underpinned by strong direct air services to key markets in Europe, Sub-Saharan Africa and Asia (through the Middle Eastern routes); KSIA could well become an alternative entry and departure airport for Southern African travellers. For instance, an air traveller to Dubai, London and any of the direct hubs connected to KSIA should consider this airport as an alternative departure or arrival especially given its close proximity to ORTIA.

4.3 SWOT Analysis

As a point of departure, it is worth considering the Strengths, Weaknesses, Opportunities and Threats of the Durban Aerotropolis using the SWOT Analysis. These can be summarised as follows:

Table 5: SWOT for Durban Aerotropolis

| Strengths | Opportunities |
|--|--|
| <ul style="list-style-type: none"> - Shovel-ready developable land parcels; - Strong, visionary and supportive leadership of KZN government; - Dedicated multi-stakeholder RDC and EDTEA Aerotropolis Unit; - State-of-the-art air cargo facility; - Direct air services to key hubs in the Middle East and London (Heathrow). | <ul style="list-style-type: none"> - Greenfield opportunities to purpose-build the aerotropolis; - Sandwiched between two busiest sea ports in Africa; - Rich culture and heritage within half an hour travel from the airport terminal; - Strong manufacturing sector especially in the automotive sector; - Unique water-based experiences characterised by favourable climatic conditions. |
| Weaknesses | Threats |
| <ul style="list-style-type: none"> - Lack of control (on the part of KZN Government) over the airport, national airlines | <ul style="list-style-type: none"> - Sustainability of airline industry owing to |



| | |
|--|---|
| <p>and key airport cities assets like land parcel needed for commercial development;</p> <ul style="list-style-type: none"> - Lack of full buy-in from all key stakeholders in other spheres of government and public entities; - No dedicated DMO and IPA for the aerotropolis; - Lack of support from national carrier and no hub airline. | <p>volatile market forces affecting profitability;</p> <ul style="list-style-type: none"> - Interruption of construction projects by “business forums”, which is scaring potential developers; - Weaker economic growth for the whole country; - Highly priced developable land that is competing with other locations across the country; - Uncertainly on land restitution. |
|--|---|

The growing trends on the use of this tool (SWOT) has been to move beyond just stating the strengths, weaknesses, opportunities and threats but also developing strategies to deal with these variables (Ghazinoory, Esmail Zadeh, & Memariani, 2007). Over the past decade the tool that has emerged from SWOT analyses is the TOWS analysis that builds on the SWOT to develop an action plan to deal with SWOT outcomes.

Table 6: TOWS for Durban Aerotropolis

| Internal Factors | Strengths | Weaknesses |
|-------------------------|---|---|
| External Factors | Strategic Options | |
| Opportunities | S-O: Use collective organisational strengths to exploit the opportunities presented for the aerotropolis. | W-O: Exploit the organisational opportunities to overcome the weaknesses of the organisation |
| Threats | S-T: The organisational strengths can be used to minimise existing and future threats to the aerotropolis. | W-T: This strategy should be embedded in all strategies to minimise threats, whilst overcoming weaknesses. |



5. STRATEGIC VISION

According to Kemp & Dwyer (2003) a mission statement for any organisation has to give meaningful responses to the following nine suggested questions:

- a) *“Customers. Who are the company’s customers? How can their needs and expectations be met?”*
- b) *Products/Services. What are the company’s main products/services?*
- c) *Geographical Market. What is the company’s competitive environment?*
- d) *Technology. Is technology the company’s primary concern?*
- e) *Survival, growth and profitability. Is the company committed to economic objectives?*
- f) *Philosophy. What are the company’s basic beliefs, values, aspirations, and philosophical priorities?*
- g) *Self-concept. What is the company’s distinctive feature or major competitive advantage?*
- h) *Public image. Does the company respond to social, community, and environmental concerns?*
- i) *Staff. Are employees considered important assets of the company?”*

Most of these questions are pertinent to this Durban Aerotropolis Marketing Strategy and should guide the formulation and implementation thereof. The three primary target market segments for this strategy are airlines, investors and tourists. The needs of airlines are centred on establishing competitive and profitable routes that have good growth prospects. Investors are on the lookout for good returns on their investments and creating value for their business. Tourists needs encompass are compelling experiences that are priced competitively.

The Durban Aerotropolis strategic vision was articulated in the KZN Integrated Aerotropolis Strategy as follows: *“To develop a globally and regionally connected, viable and sustainable Aerotropolis that spans the area covering one-hour travel from the KSIA terminal.”* This vision guides the value proposition for the aerotropolis, which for airlines is to present very competitive incentive programmes that will help grow air services at KSIA. To potential investors the value proposition is a portfolio of investment opportunities that offer high returns in a stable location with high growth prospects.

In line with the KZN IAS the strategic vision for this Marketing Strategy has to encompass elements of positioning Durban Aerotropolis to all three customer segments, viz, airlines, tourists and investors. This vision has to present a unique selling proposition for the aerotropolis that can resonate with all targeted market segments. The overarching theme for the Durban Aerotropolis Integrated Strategy and DURAMP is **global connectivity**, which is relevant to all

three customer segments. For airlines they would be attracted by a globally connected market. Potential investors would like to invest in markets that are globally connected. This global connectivity makes the Durban Aerotropolis destination easily accessible with direct connectivity that reduces travel time. Therefore, the marketing strategic vision for Durban Aerotropolis can be framed as follows:

Durban Aerotropolis will be a globally connected city region that will have direct air services to some of the major global aviation hubs, tourist and investment source markets.

6. STRATEGIC ROADMAP FOR DURBAN AEROTROPOLIS

The marketing strategy roadmap for Durban Aerotropolis will seek to carry through the overriding theme of “**global connectivity**” as a guiding vision to take aerotropolis from where it is right now to becoming a global investment, tourism and aviation hub. This requires clear articulation of how key interventions would be framed to achieve this objective in the three areas of Destination Marketing, Investment Promotion and Air Services Development.

The delivery of the Durban Aerotropolis Marketing Strategy is therefore anchored on these three critical pillars that are envisaged to drive the implementation of the Durban Aerotropolis initiative. They are depicted as per Figure 1 below:

Figure 6 - Strategic Pillars of the Durban Aerotropolis Marketing Strategy



Figure 1 depicts interdependency and overlap of these three pillars in that any action on one will have a bearing on the other. For instance, destination marketing executions will have a bearing on air services and investments promotion. Furthermore, clinching an air services deal with an international airline will have an impact on destination marketing and would also open investment channels for international investors from that linked destination.

6.1 Destination Marketing

The destination marketing elements of this Marketing Strategy are the result of a consolidation of various national and provincial strategies to the extent that they are relevant to Durban Aerotropolis.

Strategic Objective: *To position Durban Aerotropolis as a compelling destination to international tourists and visitors for the benefit of the broader aerotropolis and the province of KwaZulu-Natal.*

In support of this strategic objective the Durban Aerotropolis Steering Committee will work through all stakeholders to deliver on the following broad key interventions in the following pillars:

6.1.1 Pillar 1 - Culture and Heritage

The KZN Province in general and the Durban metropole in particular have very rich culture and heritage, which dates back to the 18th century when King Shaka established the Zulu Kingdom in 1816. However, within the airport city area of Durban Aerotropolis there are key historical figures that have shaped this region and they are:

- **King Shaka Zulu** – This great leader founded the Zulu nation through the amalgamation of various tribes into one nation. He established his palace in what is now known as KwaDukuza, which is within the airport city study area. King Shaka is celebrated every year on September 24th and also serves to commemorate his death in 1828 at the hands of his brothers.
- **Chief Albert Luthuli** – KZN and the KwaDukuza are famous for this first African Nobel Peace Laureate, who dedicated his life to fight the injustices of the past regime. His legacy is celebrated in a number of ways that included the naming of the Durban ICC and a hospital is also named after him. There is a museum in KwaDukuza that was built in his honour.
- **John Langalibalele Dube** – This was the first president of the oldest liberation movement in Africa, the African National Congress, when it was formed in 1912. Durban Aerotropolis, Dube Trade Port, was named after him. The Inanda Tourism Route include stopover at his grave.
- **Moses Mabhida** – This was one of the stalwarts of the African National Congress, who fought for the liberation of the African people. He was also very active in the labour movement, especially in the South African Congress of Trade Unions and

was a staunch member of uMkhonto weSizwe and the South African Communist Part. The eThekweni Municipality honoured him by naming the iconic 2010 FIFA World Cup stadium after him.

- **Mahatma Gandhi** – As an activist, Gandhi was famous for his non-violent resistance that led to the independence of India from the British colonial rule. It is often said that Gandhi was born in India but was made in South Africa. His struggle against white supremacy started when he was thrown out of a first-class train cabin because he was black. This led to his formation of the Natal Indian Congress, which later forged alliance with the African National Congress to fight the injustices of segregation on the basis of race. Gandhi has been honoured in many ways not only in Durban but throughout the country.

Durban Aerotropolis has a great story to tell about these great leaders, who contributed to the free society that we now all live in. Given the fact that most of the heritage sites in honour of these great leaders are within 30-minute travel from the King Shaka International Airport, a special tourism route should be incorporated into the airport and DTP tours that are normally done by DTPC and KSIA. Some of the interventions should include the following:

- Develop in collaboration with the tourism industry a dedicated Durban Aerotropolis Heritage Route that includes visits to sites where these leaders are honoured. These include the graves of these leaders in Inanda, Chief Luthuli museum in KwaDukuza, King Shaka's grave, Moses Mabhida Stadium, Ushaka Marine, etc.
- Develop special hop-on hop-off bus tours for this aerotropolis route.
- Create a social media platform to enable visitors to share their experiences.
- Develop online tourist routes that are linked to DTP-KSIA technical tours that can be viewed on the Durban Aerotropolis website as virtual tours.

6.1.2 Pillar 2 - Special Interest Tourism

Special interest groups are always in Durban for various activities like sports events, cultural events and MICE events. Some tourism experiences may appeal to certain groups of visitors and tourists and the DMOs should identify events that bring these interest groups to the city region. Categories of tourism offerings may include the following:

- **Wellness Tourism** – As the destination that has been voted in the 2018 Mercer Index the highest in Africa on Quality of Living, visitors and tourist can be exposed to the following experiences that the Aerotropolis has to offer:

- Spa treatments;
- Beach walking and jogging trails in the Golden Mile and in Umhlanga Village.
- **Photographic Tourism** – There are a number of scenic sites that can be offered to visitors and international tourists within the aerotropolis.
- **Cruise Tourism** – This opportunity adds to the water-based experiences and can be linked to air services through fly-cruise packages.
- **Film Tourism** – Through the KZN Film Commission, the video and filming opportunities can be offer to this interest group.
- **Gambling Tourism** – The Chinese tourists are a very special market for this type of tourism and Isibaya and Sun Coast casinos can play a major role. Events that are attended by Chinese tourists can also be hosted in these venues.
- **Gastronomy Tourism** – Some visitors and tourists looking for a variety of food experiences could be offered these opportunities.

Special interest tourism should be linked to specific international events taking place in the aerotropolis. For instance, where an event will have a high participation by Asian visitors the gambling tourism and special Asian cuisines should be included in event brochures.

6.1.3 Pillar 3 - Adventure and Unique Experiences

Some of the best adventure tourism and unique experiences include water-based activities, which can go to extreme ones like the shark-cage diving. Sites like the warm beaches of central Durban, Umhlanga and Ballito offer excellent experiences. However, rather than concentrate on supply side, it is recommended that demand-based offerings be presented to visitors and international tourists from the targeted markets. Key interventions include the following:

- Study the needs of the markets served by the international airlines that have direct connectivity with KSIA.
- Identify tourist products in the aerotropolis that would be suited to the targeted markets. Some of these tourism products could be offered by international firms that also have a better understanding of the target market. Within the Aerotropolis region the following offerings should be included in the Aerotropolis package:
 - Valley of the 1,000 Hills;
 - Shark cage diving;
 - Sardine run; etc.
- Segment the markets in accordance with their needs.

- Develop and execute a direct marketing campaign in collaboration with partner airlines and hospitality providers.

6.1.4 Pillar 4 - Hospitality Industry

The hospital industry which primarily includes hotels, shops, restaurants, bars and the nightlife experience play a major role in engaging visitors to the city (Vella, 2016). These establishments play a huge role in the experiences that visitors get in a city they visit whether for business or leisure. In managing the Durban Aerotropolis destination, the following interventions are recommended:

- Identify all establishments that are serving international tourists and visitors. Some of these establishments are global brands like the Hilton, Marriott, Starbucks and in retail malls there are major international fashion brands like Zara.
- Map out all these establishments for ease of reference and access and must be included in the Durban Aerotropolis mobile application.
- Develop joint marketing strategies that can be executed through international marketing, in-flight magazines, airport advertising, social media, etc.
- Reach out using direct marketing to patrons of these hospitality establishments through internet free WiFi offered in those establishments.

6.1.5 Pillar 5 - Social Media

The growing use of smart phones and mobile internet has enabled to hyper-connected visitors and tourists to have access to information about any destination at their fingertips (Kiralova & Pavlicecka, 2015). Wherever they are visitors and tourist can access information about the location of hospitality by doing a Google for any site “near me”. Social media provides a cheaper approach for destination marketing because as oppose the destination marketing organisation (DMO) generating content, the users are generation their own content and are sharing it with their friends and family members on a real time basis. The immediacy of social media can hurt or help a destination and the DMO has to be on standby to address any issue that might be raised by travellers. Social media must be part of the broader digital marketing strategy of Durban Aerotropolis and must be integrated with all digital platforms. Recommended interventions include the following:

- Develop social media point of presence on the following platforms:
 - Instagram;
 - Facebook;

- LinkedIn for business travellers;
- Twitter.
- Link all social media platforms with those in the hospitality industry and those of other partner organisations.

6.1.6 Pillar 6 - Major Events

The hosting of major international events has been one of the key drivers of destination marketing and have helped raise the profile cities and regions to international tourists. Sports fans venture into new destinations by following their teams as was seen during the 2010 FIFA World Cup. Major events are a very strong tool to market a city region and Durban Aerotropolis has an opportunity to leverage events that are already taking place in the City. Some of these signature events include the following:

- Comrades Marathon: This is the biggest and the oldest ultra-marathon race that attracts international athletes.
- Super Rugby Matches: Attracts followers of teams from Australia, New Zealand and Argentina.
- International Football Matches: These matches are normally hosted in Moses Mabhida Stadium and attract fans from countries that normally play against Bafana Bafana.
- Other events include the Durban July horse-racing events, Amashovashova Cycle Race, etc.

Durban Aerotropolis should leverage the hosting of major international and national events with international appeal to raise of the profile of the Aerotropolis in international markets. Specific interventions should include the following:

- Develop pre and post tours especially for the events that are bringing tourists and visitors from the targeted markets like UK, Asia, Europe and North America.
- Collaborate with the tour operators that are arranging travel itineraries for the visitors and fans. Negotiate discounts for international visitors at hospitality establishments that have been highly rated on platforms like Trip Advisor.
- Engage the visitors and fans on social media to gauge their likes and dislikes.
- Develop a network of regular visitors to Durban for future targeted marketing.
- Encourage visitors to bring their partners and families through discounted offerings like reduced accommodation.

- Engage airlines that bring visitors for targeted marketing before they even come to Durban.
- Identify events that would be suitable for bidding to host owing to their appeal to targeted market. For instance, for Indian tourist events like the cricket and Bollywood events should be prioritised. Other sports events that are aligned to the Aerotropolis that can be targeted include air shows, drone racing, etc.
- In order to boost certain air routes like the Durban-London one on British Airways, target British travellers for specific events like the Comrades Marathon. This can be done by working with the road-running community of United Kingdom and develop travel packages for them to participate in the events.
- Develop own signature events like the Verulam Marathon, which can be renamed “The Great Aerotropolis Run” to mimic The Great North Run a popular event taking place in the United Kingdom.
- Link specific events with nearby tourism sites. For instance, fans coming to an event in Moses Mabhida or Kings Park can be offered reduced tickets for a tour of Moses Mabhida Stadium or a Segway tour of the beach front. These tours can be done before the events take place at these sites.

6.1.7 Pillar 7 - Place Marketing

Durban Aerotropolis needs a sense of place for it to be considered for visit by tourist, as business location for investors and also as a profitable destination for airlines. The study of place marketing does not only reside within the discipline of marketing but overlaps to other fields like geography, urban design and public administration (Bruni & Caboni, 2017). A destination develops a sense of place through its urban form but this has to be matched with the destination’s functionality. Durban Aerotropolis is awash with very iconic sites that start with its very own King Shaka International Airport, the vibrant Umhlanga Village, Umhlanga Ridge, Florida Road, the beach promenade (the “golden mile”), Moses Mabhida Stadium, the scenic drive along the N2, etc. To give Durban Aerotropolis a sense of place these iconic sites have to be stitched together as has been done in the Master Plan document. A 3-D model is being developed for presentation at various locations. Key recommendations for this pillar include the following:

- Build a replica 3-D model of Durban Aerotropolis to be permanently located at other international arrival terminals at OR Tambo and Cape Town International Airports.

- Showcase the 3-D model at key international conferences like the AviaDev, Aviation Festivals, World Routes, WTM, etc.
- Develop a digital 3-D model that can be viewed on the website and through virtual reality goggles.

6.2 Investment Promotion

The investment promotion strategy for Durban Aerotropolis should start with articulating coherent policy framework that will resonate not only with potential investors but also with the broader business community. Local and international investors are looking for policy certainty not only from the investment promotion agencies (IPA's) like TIKZN and Invest SA but are also looking to the politicians' seriousness about creating a conducive environment for investments. Once IPAs have succeeded in getting the law makers to adopt specific investment policies, IPAs have a duty to ensure politicians stick to that policy narrative to assure potential and current investors of a specific policy direction.

Policy is not only about developing a set of guiding principles, but it has to be driven by strong visionary leadership; especially on the part of the law makers. Investors look up to leadership in all spheres of government for assurance and confidence in the economy. This strong leadership or lack thereof has a huge bearing on investor and business confidence. The Durban Aerotropolis has full support from MEC Zikalala MPL and the KZN government, but there is also more than other stakeholders like the City and business chambers can do to promote the Aerotropolis.

Priority sectors for Durban Aerotropolis include the following:

- Advanced Manufacturing;
- Aerospace Maintenance, Repairs and Operations (MRO);
- Health and Pharmaceuticals;
- Transport and Logistics;
- Tourism;
- Automotive;
- Maritime;
- Telecommunications;
- Electronics and Components; and
- Agri-processing.

In articulating the value proposition of Durban Aerotropolis, it is well worth getting a much clearer understanding of the needs of investors and what motivates them to choose to invest in one market as opposed to others. These are some of the motivating factors (Dunning, 1980):

- **Natural Resource-seeking Investment:** Investors in this category are motivated by the need to locate their businesses closest to natural resources and raw materials.

For instance, a renewable company may opt to locate in the Northern Cape where the sunlight is at its best in the whole country. For Durban Aerotropolis investors may be attracted by the maritime or aquaculture opportunities.

- **Market-seeking Investment:** An international investor may be looking to expand through related diversification, that is, seeking new markets for its product. Durban Aerotropolis may not offer the market potential that an investor is looking for, but the investor could look to this region as a gateway to other markets across the country and Southern Africa.
- **Strategic Asset-seeking Investment:** An investor may come into the market for the sole reason of acquiring a key asset for its global expansion. An example of this investment was a purchase of a share in Standard Bank by the Industrial and Commercial Bank of China as a strategic vehicle to expand into the African market.
- **Efficiency-seeking Investment:** Investors could also invest in a particular market for the purpose of improving its global competitiveness through efficiencies. For instance, Toyota's continued investment in Durban as opposed to other markets could be motivated by the efficiencies that the company derives from this location. Whilst it might be most efficient to assemble some of its vehicle models in Durban, some components are best manufactured in other countries that includes the home market in Japan.

The strategic objective for investment promotion in the Durban Aerotropolis can be articulated as follows:

Strategic Objective: *To promote Durban Aerotropolis as an investment safe haven for local and multinational corporations that are seeking a business-friendly environment to establish their businesses.*

Once the investment vision and policy have been articulated and investor needs understood, it is recommended the Durban Aerotropolis Investment Promotion Strategy be anchored in the following pillars:

6.2.1 Pillar 1 – Investment Policy and Leadership

Potential investors are always looking up to the country's leadership for assurance on their investments. At provincial level there is a strong need for political leadership to foster investor and business confidence that will create a conducive investment climate. Every speech like the

State of the Nation or Province addresses are analysed by the economists and financial analysts for consistency with national economic policies. For Durban Aerotropolis the following set of recommendations are proposed:

- Continued inclusion of Durban Aerotropolis investment opportunities in all key speeches by the Premier and the MEC of EDTEA.
- Ensure consistency of messages at all times.
- Balance the need to transform certain industries and the needs of potential investment.
- Provide protection of investments at all times.

6.2.2 Pillar 2 – Develop the Right Talent

With the establishment of the Aerotropolis Institute Africa, the KZN government has the opportunity to develop the right talent that will meet the needs of a growing aerotropolis. A detailed feasibility study was undertaken in 2016 as part of the AIA business planning for the development of this talent with skills sets that are required in the sectors that have been prioritised for investments. Key interventions in this area include the following:

- Skills supply and demand audit in each of the priority sectors.
- Match existing skills with each priority sector and note the gaps in both quantity and quality.
- Develop a province-wide skills development plan in partnership with the AIA, other KZN higher education institutions and academies.
- To the extent that critical and scarce skills cannot be developed locally in the short-term, Durban Aerotropolis should recruit this talent for relocation to this city region.

6.2.3 Pillar 3 – Global Connectivity

This pillar is the core of Durban Aerotropolis in that the whole aerotropolis programme seeks to connect the city region with other global markets to grow the local economy. Durban is the only city in Sub-Saharan Africa that has such well-established global connectivity in all four modes of travel, i.e., water, rail, air and road. The City is the seat to the busiest sea port in Africa, 13th busiest airport in Africa and is connected to the busiest freight route (N3) that links up to other corridors to Southern Africa. Furthermore, the busiest rail corridor in the country is the one that links up Durban and Gauteng. This connectivity is critical for investors looking for efficiencies and access to markets in Sub-Saharan Africa. In exploiting this competitive advantage for investment attraction, the following interventions are proposed:

- Identify investment opportunities for global transport and logistics companies or multinationals looking for efficient channels for product distribution.
- Package transport and logistics investment opportunities for possible investments by multinational corporations that are looking for opportunities in this industry.
- Package opportunities for corporations that are marketers of fast-moving consumer goods looking for a regionally integrated distribution channels to Southern and Central Africa.
- Beneficiate imports through advanced manufacturing at the DTP Special Economic Zone, especially for those products that can boost air cargo movements.

6.2.4 Pillar 4 – Support Measures

Potential investors are always looking for incentives that an investment market is able to provide. Free trade zones and special economic zone offer some incentives that are aimed at bringing down the cost of investments. Whilst these incentives are possible through the Dube Trade Port, they are often not enough. Investors also want to know if the host city or province is able to protect their investments against unfair trade, illegal operations, etc. The support measures provided by TIKZN and other stakeholders like Invest Durban include “one-stop shops” investor to process all applications, facilitation of entry, retention programmes and after care. Some of the intervention in this area could include the following:

- Establish a task force that will be trained to deal with some of the emerging commercial crimes that are often violent and are perpetrated by some criminal elements that have infiltrated genuine business formations.
- Integrate the services of the 2 “1-stop shops” of eThekweni and TIKZN to eliminate duplication of services.
- Consolidate all support measures that are offered by all organs of state into a single offering for specific investments priority sectors.

6.2.5 Pillar 5 – Smart City

The Durban Aerotropolis Master Plan was developed using the smart cities principles of liveability, workability and sustainability. Smart cities have become a selling point for cities seeking to position themselves favourably to potential investors. Workability of a city provides an assurance that a city is globally competitive and would do all it can to protect and retain an investment. The city also has to be workable for expatriate employee with rare skills sets looking to settle in the city. This is also addressed by liveability of the city not only for the

employees but to any of their family members that seek to join them. In 2018 Durban was voted through the Mercer Liveability Index as the most liveable city in Africa ahead of Johannesburg and Cape Town. Multinational corporations are also concerned about the environmental sustainability of cities since has become a major reporting requirement. Some of the smart city interventions include the following:

- Accelerate the testing and adoption of technologies like 5G, Blockchain and Artificial Intelligence that will stimulate certain investments by tech companies.
- Develop a start-up culture that will drive the development of small enterprise that will be attractive for future investments.
- Develop the techno hub at DTP to support new investments in the Durban Aerotropolis.

6.2.6 Pillar 6 – MICE Events

Durban has over the years become a great host of some of the major international conventions and conferences, the so-called “MICE events” or Meetings, Incentives, Conferences and Exhibitions. However, according to the 2017 report of the International Congress and Convention Association (ICCA) Durban recorded only 12 meetings and was ranked 228th globally (7th in Africa), Cape Town was 44th (1st in Africa) and Johannesburg 113th (2nd in Africa). The criteria for ranking these meetings by ICCA is that the meetings must be held over 2 to 3 days, attended by at least 40% international delegates from at least 5 other countries (excluding host country) and must be attended by at least 50 delegates. These meetings can be organised by associations or corporates. The significance of these meetings for Durban Aerotropolis is that they often bring delegates who are also decision makers for possible investments. Durban host far more than 12 international meetings per annum but these events may not qualify for ranking. As an investment attraction platform Durban Aerotropolis would need to prioritise the following interventions:

- Develop a set of criteria for hosting of major international MICE events in accordance with the intended objectives of the Durban Aerotropolis.
- Develop a database of associations that organise annual events that are ranked by ICCA. These events must be in line with the Durban Aerotropolis priority sectors like agro-processing, transport and logistics, aviation, etc.
- Identify key events that would bring key investment decision makers in those priority sectors.

- Launch target bidding campaigns to host these events at Durban ICC and other venues within the Durban Aerotropolis.
- For signature events that are already taking place Durban, develop strategies to leverage these events with a view to reaching out to potential investors. These events include Tourism Indaba, which bring major international tourism companies and the hospitality industry players.

6.2.7 Pillar 7 - Investment Missions

Invest SA, Invest Durban and TIKZN often undertake investment missions that also include attendance of key international investment events to promote South Africa various investment opportunities. These missions are often undertaken in a less integrated manner and the same investors are approached by various IPA's from the same country. To maximise on effectiveness and ensure consistency in dealing with international investors, it is imperative that for Durban Aerotropolis a coordinated approach be developed; which could include the following interventions:

- Draw up an integrated calendar of all outgoing and incoming investment missions that are organised by Invest SA, Invest Durban, TIKZN and other organs of state like DTI.
- Negotiate collaboration with these entities for participation and/or of inclusion of Durban Aerotropolis investment packages in their list of investment opportunities.
- Identify local and international investment event opportunities wherein Durban Aerotropolis can be represented. These events include the following:
 - Invest in Africa Conference that will be held in London from May 8 to 10, 2019;
 - World Forum on Foreign Direct Investments to be held in Sydney from June 17 to 19, 2019.
- Seek all information about the incoming investment missions to South Africa and KZN for possible participation.
- Plan and undertake special investment missions to key investment markets like China, USA, Netherlands and the United Kingdom. These missions should be undertaken with key Durban Aerotropolis stakeholders like Enterprise Ilembe, TIKZN and Invest Durban with possible inclusion of the national IPA, Invest SA.

6.3 Air Services Development

One of the defining characteristics of a thriving aerotropolis is a strong and growing aviation hub airport with connectivity to other major global airport hubs. For all intents and purposes, South Africa's main aviation hub is still the OR Tambo International Airport (ORTIA), with the two other international airports CTIA and KSIA being positioned as feeder airports. For any route development strategy to succeed, it requires a hub airline and this is normally done through a national carrier that has higher freedoms of the air than other international airlines operating in the country.

Strategic Objective: *To develop King Shaka International Airport into becoming an alternative (not secondary) aviation hub that will foster global connectivity of Durban Aerotropolis.*

In delivering on this objective, it is recommended that the Route Development Committee implement the following set of strategic interventions:

6.3.1 Pillar 1 – Bilateral Air Services Negotiations

Bilateral services agreement are the basis for any commercial agreements between airports and/or destinations and airlines to establish air services in a particular airport. The geopolitics of aviation lay the foundation just like any other bilateral agreements that countries enter with one another. These agreements are entered into through national departments of transport but in some countries negotiations are led by civil aviation authorities. In the case of South Africa, the National Department of Transport (NDoT) is the lead state organ that negotiate terms of air services for various countries. At these negotiations, the NDoT is often presented by commercial interests of national carriers of those countries. The South African Airways is always part of these negotiations to safeguard its interest.

Whilst these bilateral air services agreements remain a competency of NDoT, airports and destinations have an opportunity to influence the outcome of these negotiations through the following key interventions:

- Attend the ICAO Air Services Negotiation conferences as part of the NDoT negotiating team.
- Participate actively in the NDoT-led Bilateral Air Services Task Team that includes some of the national departments of Tourism, DTI, etc.

- Continuously lobby NDoT for them prioritise KSIA in granting additional frequencies to international airlines.

6.3.2 Pillar 2 – Low Cost Carriers

The airline industry has over the years become very competitive but this competition has manifested itself largely through price wars. This has led to the phenomenon of low-cost carriers (LCCs) that operate either as point-to-point services and/or code-sharing with hub airlines to serve as feeder to long-haul services. The LCCs have tended to sign agreements with legacy carriers only if such agreements are mutually beneficial (Morandi, Malighetti, Paleari, & Redondi, 2015). In this case, LCCs would insist that legacy carriers reciprocate on the feeder traffic they provide by getting as much traffic from these legacy carriers to distribute to their final destinations. For instance, prior to the launch of the London-Durban British Airways services, Kulula would have been feeding from Durban the flights from OR Tambo to Heathrow. Whilst this might still be the case owing to the fact the new Durban-London service is still new, there is now a case for Kulula to be serving as feeder to the Durban-London services. To this end, the KZN Route Development Committee could consider the following strategic moves:

- Promote codeshare agreements between the international airlines operating at KSIA and LCCs like Safair, Kulula and Mango for these airlines to feed their traffic to KSIA for international destinations. This might be tricky for Mango, which is in codeshare agreement with the national carrier, SAA.
- Explore the use of LCCs in some of the regional routes to destinations in the SADC regions.
- Explore the extension of incentive program to cover feeder LCCs that bring passengers to Durban to fly on international flights.

6.3.3 Pillar 3 – Air Cargo

Air transport is a critical catalyst for global trade, especially for light and time sensitive goods like mobile phone, precious metals, jewellery, etc. On the supply side the Dube Trade Port has a very well-established air cargo facility, but the OR Tambo airport is still the most preferred hub. Since the majority of air cargo movements are through passenger aircrafts rather than cargo aircrafts, it stands to reason that most cargo movements would follow the airport with the highest global air connectivity, that is, OR Tambo. One of the key requirements for building air cargo competitiveness is cutting red tape to enable faster processing through customs (Shepherd, Shingal, & Raj, 2016). There is a need for the Route Development

Committee to drive demand for air cargo, and the following proposed interventions are presented:

- Reach out to freight forwarding community through their annual events and others like the biennial Africa Air Cargo event that takes place in Ekurhuleni.
- Develop electronic processing through software like eFreight.
- Develop processes to release shipments in advance of their actual arrival.
- Implement risk management controls to combat illicit shipments and facilitate compliance.

6.3.4 Pillar 4 – Air Services Incentive Program (ASIP)

Air services programs (ASIPs) are meant to kick-start services in a route but they are designed to ensure that such services continue beyond the stipulated periods. Airports and DMOs expect air services to continue beyond the agreed timelines. However, in a study by Ryerson (2016) it was found that 26 out of 44 air services that had been supported by ASIPs did not continue after the incentives had ended. DMOs should therefore guard against supporting air services that will not be sustainable beyond the agreed periods. To this end, the KZN Route Development Committee could consider the following set of interventions (if not already in place):

- Independent profitability analysis of routes to avoid supporting routes that are not sustainable.
- Implement joint marketing programs to support airlines, tour operators, etc.
- Explore joint funding of ASIPs by other beneficiary entities like those in the hospitality industry.
- Promote travel packages to events hosted in KZN in collaboration with the event official travel companies and airlines supported through ASIPs.

7. IMPLEMENTATION

The implementation of this strategy requires the cooperation of all local and national Durban Aerotropolis stakeholders to achieve a common goal. Fortunately, the Durban Aerotropolis has a good history of working with various stakeholders as has been achieved in the Route Development Committee, Working Groups and Steering Committee. The collaboration of these stakeholders needs to adopt a market-oriented approach to marketing the Aerotropolis to target markets (Line & Wang, 2017).

In a study by Prideaux & Cooper (2003), it was found that the most successful destination marketing programmes for city regions are those that are executed through a single marketing organisation. They proposed that the following factors be considered a successful marketing programme:

- Development of a single marketing organisation responsible for marketing the destination in generating regions.
- The professionalisation of the destination's marketing strategies.
- Municipal awareness that tourists do not perceive destinations in terms of local government boundaries.
- The degree to which the needs of investors are recognised.
- The support given by the community to the elevation of tourism as a key local industry.
- The role played by local government, the private sector and provincial and national entities in marketing.
- The ability to develop a distinctive destination brand.
- The degree of cooperation between local government authorities and the destination marketing organisation (DMO). It is also apparent that, at the destination level, the form of marketing that is engaged upon will depend on a number of factors, including:
 - the stage of growth of the destination, including the size of the destination in terms of visitor flows, length of stay and spend as well as the origin, income and preferences of the visitors.
 - competitiveness of the destination in local, national and international markets.

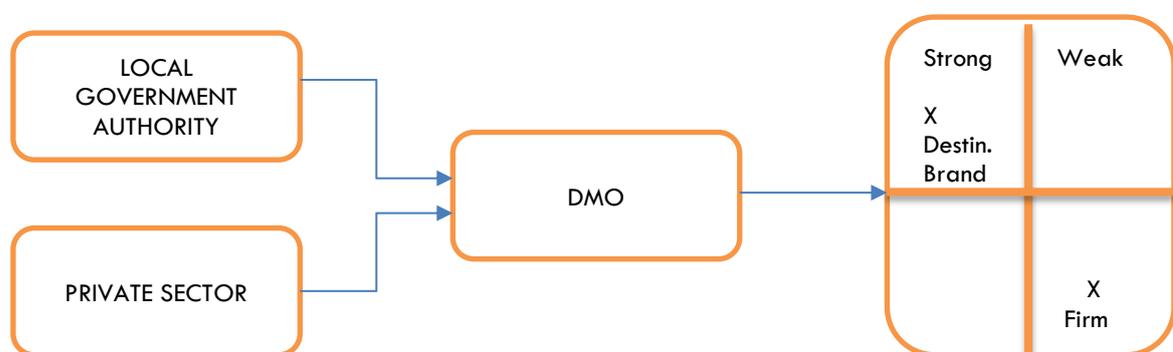
- expertise and resources made available from the public sector the scale and nature of the private sector as well as its involvement in cooperative marketing programmes.

Together, these factors determine the structure of the DMO, the level of resources made available by the public sector and the level of involvement by the private sector in collective destination marketing.

The study proposes three options: ideal, preferred and weak one as below:

Figure 7a – Alternative DMO Governance Structures

MODEL A: IDEAL SITUATION

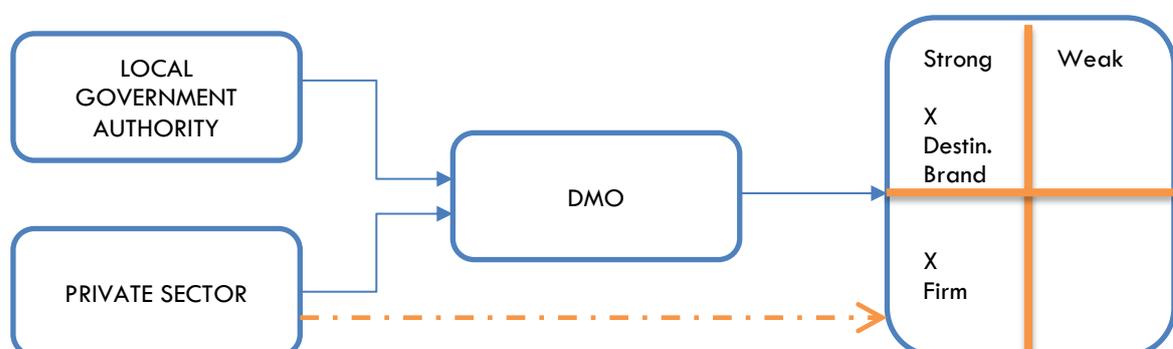


Adapted from Prideaux & Cooper (2003)

This is an ideal model in that the local government authority and the private cooperate fully in establishing a DMO with a sole mandate of marketing the destination. In this model the individual firms' brands are weakened in favour of the destination brand through the DMO. Whilst this model is good for the DMO, it only serves to put all eggs in one basket and weakens the individual firms' brands.

Figure 7b – Alternative DMO Governance Structures

MODEL B: PREFERRED SITUATION

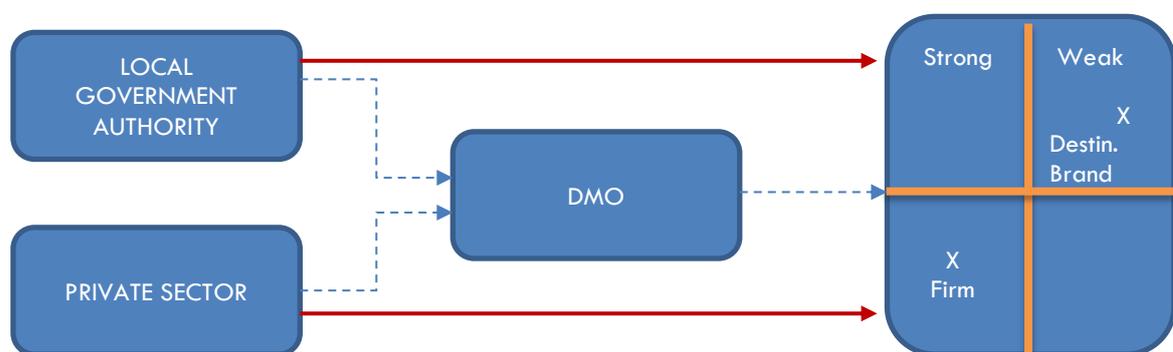


Adapted from Prideaux & Cooper (2003)

Through this model the individual firms still cooperate fully in the DMO but also complement this with their own marketing efforts running independent of the DMO. This is a preferred scenario for Durban Aerotropolis in that the industry must still be given the opportunity to market their destination in a spirit of competition that can only benefit the tourists and visitors. However, the efforts of the various tourism entities like TKZN, Durban Tourism and Enterprise Ilembe should be united under the DMO. This is a win-win scenario for both DMO and individual firms.

Figure 7c – Alternative DMO Governance Structures

MODEL C: WEAK MARKETING IMAGE



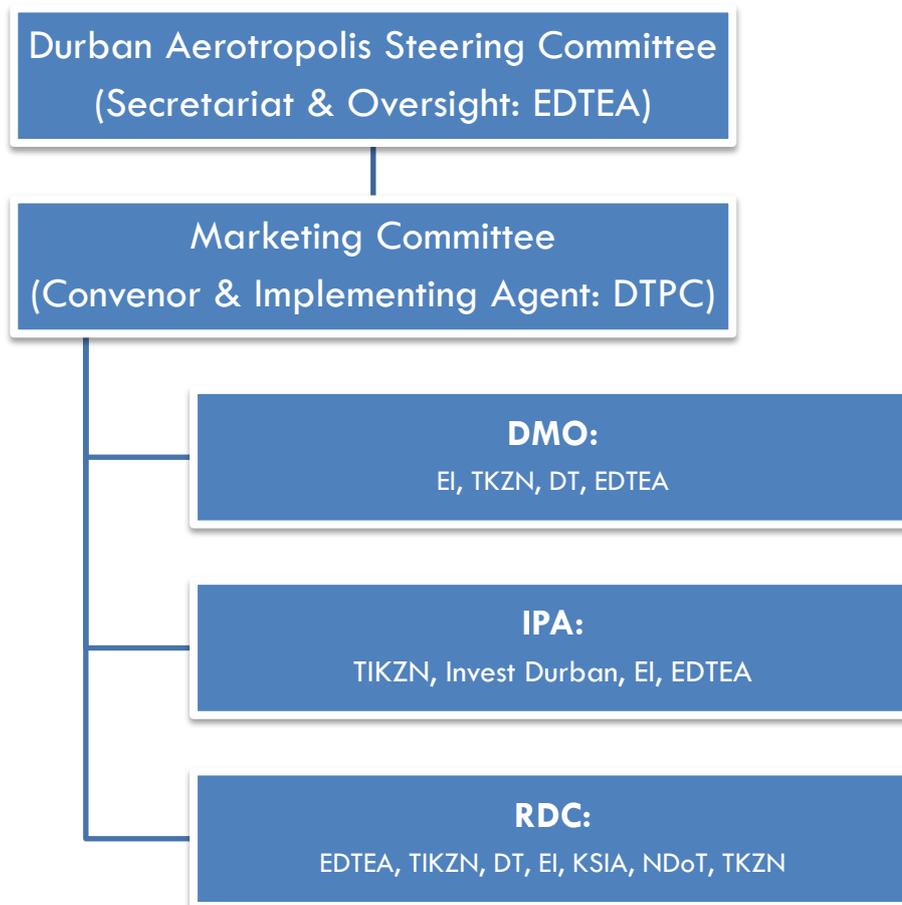
Adapted from Prideaux & Cooper (2003)

In this model the firms and the tourism agencies are working in silos, with weak cooperation in the DMO efforts. Whilst this strengthens the brands of individual firms, this is at the expense of the DMO brand and does not help the destination.

7.1 Institutional Arrangement

The overall function of marketing Durban Aerotropolis should encompass the sub-functions of destination marketing, investment promotion and air services development. These three core strategic functions have distinct elements but do overlap in some areas. For instance, air services development cannot be separated from the function of promoting the destination to air travellers from key tourism markets. Another example is that the establishment of air services linking a specific investment market like the Durban-London service, create in itself a global connectivity that is necessary for investment promotion. For these reasons, it is therefore imperative that the three broad marketing functions be coordinate through a single entity, which in this case is the DTPC. However, DTPC would still not be assuming the full role of a marketing entity for Durban Aerotropolis but will be coordinating the activities of the various entities to the extent that such activities have implications for Durban Aerotropolis.

Figure 8: Institutional Delivery Mechanism of the Durban Aerotropolis Marketing Strategy



7.2 Corporate Identity

Owing to the fact that in the short to medium there are no plans to establish a special purpose vehicle to implement this strategy, the most ideal option for now will be to execute through a virtual entity. This would be similar to how Durban Aerotropolis has been positioned up until now, that is, not as a juristic person but a virtual entity. To achieve this would require the development of a corporate identity for Durban Aerotropolis that can be used for destination marketing, air services development and investment promotion. The design of this corporate identity for Durban Aerotropolis should be guided by the over-arching theme of **global connectivity**, which resonates with all three focus areas or market segments of destination, investments and air services development. A process similar to the development of the Durban Direct brand should be followed in developing a brand that can be used for all marketing activities.

8. CONCLUSION

The implementation of this marketing strategy can never be a sole responsibility of one entity, given the factor that by its very nature an aerotropolis programme requires a multiplicity of stakeholders. However, a single entity still has to take accountability and responsibility to bringing all affected parties together to achieve a common goal. In the case of Durban Aerotropolis, it has been settled that DTPC would play a leading role with EDTEA overseeing the whole implementation and managing stakeholder expectations. In fact, EDTEA would remain a custodian of this strategy.

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